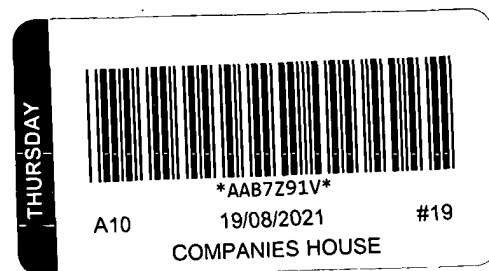


Registered number: 05582639

ATLAS ELEKTRONIK UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



ATLAS ELEKTRONIK UK LIMITED

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ATLAS ELEKTRONIK UK LIMITED

COMPANY INFORMATION

DIRECTORS

C Evans
A Mazur
F Keupp
S Meisel
N Skelland
J Weale (Appointed 19th November 2020)

REGISTERED NUMBER

05582639

REGISTERED OFFICE

Dorset Innovation Park
Winfrith Newburgh
Dorchester
DT2 8ZB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
BS2 0FR

ATLAS ELEKTRONIK UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present the strategic report of ATLAS ELEKTRONIK UK Limited (the "company") for the year ended 30 September 2020.

Results and dividends

The profit for the year, after taxation, amounted to £6,954k (2019: £5,770k) and the net assets at 30 September 2020 were £49,113k (2019: £42,159k). No final dividend was declared in the year (2019: £nil) and the directors do not recommend payment of a dividend in respect of the year.

2020 saw a continued significant growth in revenue, a large proportion of which was from export related business and was secured in previous years. This was coupled with a record year for order intake at over £90m and has laid a positive foundation for 2021. The company's performance in recent years reflects its solid product portfolio. Combined with its on-going research and development activities, continuous innovation into product design, development and integration, as well as its growing service and support provision, means that the company is well established to continue its pathway of growth into the future.

People are at the heart of the company's success and are highly valued by the business with the company investing in a further increase of 11% headcount on average this year. Whilst growing, the company has also managed to maintain its underlying profitability and achieve improvement through performance on export sales. This is contributed through the significant investments made in the business over the last few years and the various process improvement initiatives which the directors have undertaken. These are aimed at improving efficiency and ensuring that we can still deliver excellent quality research and products whilst continuing to offer value for money for our customers and return for our Shareholders.

The company now has multiple facilities which contribute widely to the offerings of the business and aid in securing long-term opportunities, including its Horizon state of the art flexible production facility and its acoustic testing tanks. We continue to invest in our system tools and processes, reviewing the ways in which we work to ensure that we drive efficiency and value in to everything we do. In addition to the significant investment to secure our future over recent years the board has also financed considerable upgrades to our facility to support the growth in people and to enhance communications, the working environment and wellbeing. An extension is nearing completion to increase the capacity and capability of our Horizon facility and further upgrades are planned to our stores facilities in the coming years to accommodate future growth.

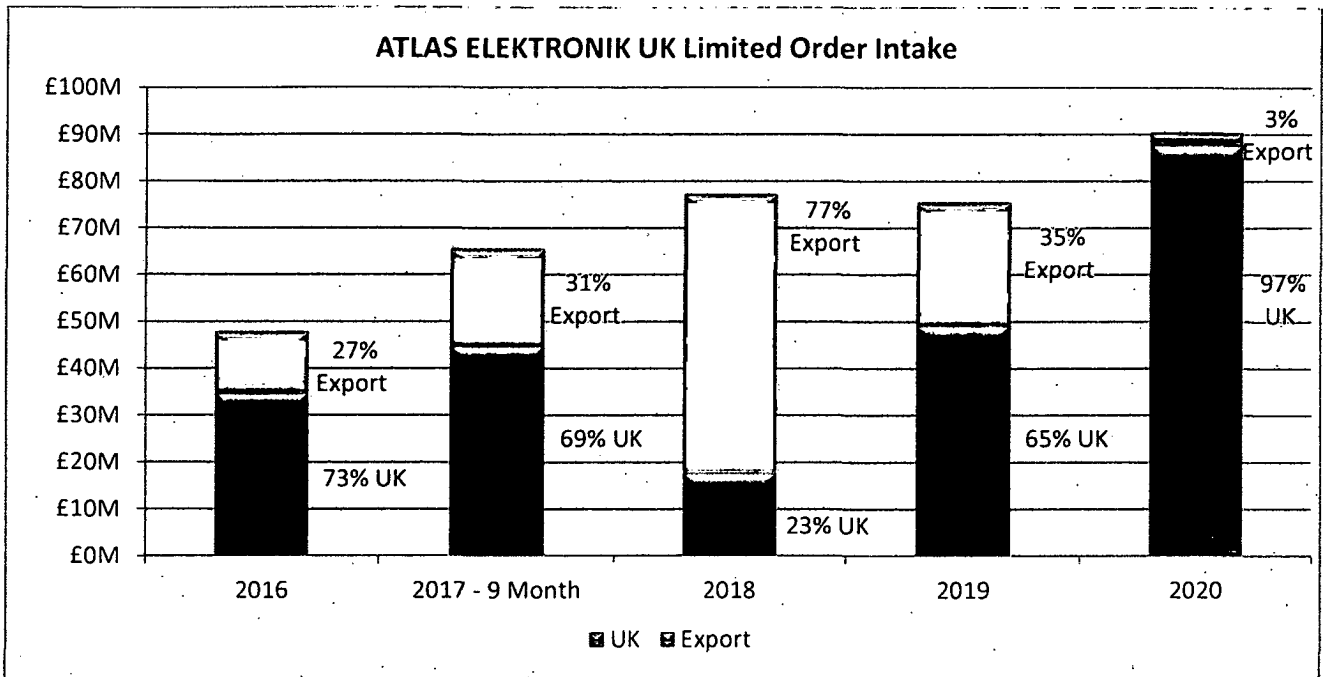
With a strong order book and the business continuing to bid for a large volume of opportunities, the board is optimistic for the coming 12 months.

Strategy

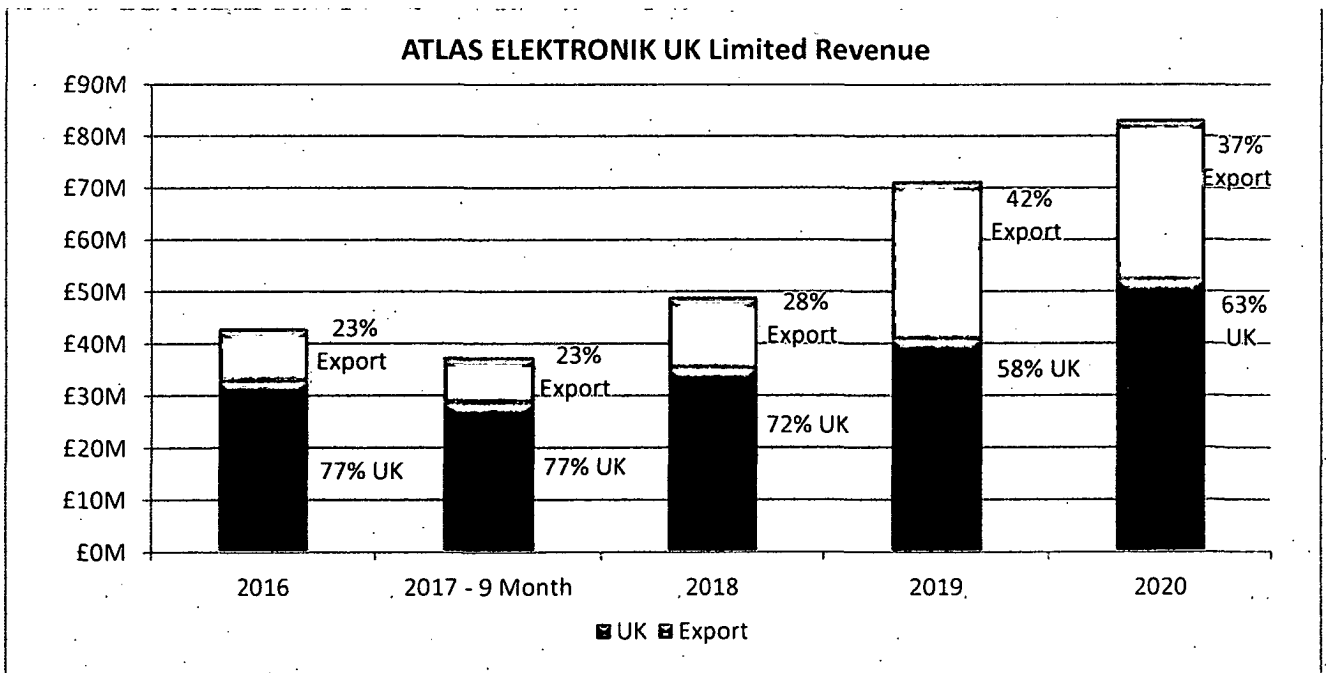
The company's overriding objective is to continue to grow by working together with our customers worldwide to develop innovative solutions and to solve maritime issues. Our approach to achieving this objective is to maintain its UK Ministry of Defence (MOD) research and advice market share whilst exploiting its technology development into the supply and long-term service of products and system solutions to the defence maritime markets, both domestically and internationally.

The graph below shows the trend of order intake growth and proportion of export orders since 2016. Record orders of over £90m were achieved in the year, securing the backlog for the next two years delivery. Intake was predominantly from the UK in 2020 with foundations being laid for further export opportunities alongside UK work in the coming years. The overall order intake growth trend supports the continued revenue growth trend in to the future.

**ATLAS ELEKTRONIK UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**



The graph below reflects the revenue trend for the last 5 years financial statements. With 2017 being a 9 month period it is difficult to draw a direct comparison however a growth trend is prominent across the period and reflects the performance of the business. Also evident is the growth in export revenue as a result of the high export orders in 2017-2019. With a number of larger UK contracts coming through in 2019 and 2020, we expect the revenue to now trend more towards UK for the next year or so.



**ATLAS ELEKTRONIK UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The company's research develops technologies for new and improved capabilities and cost-effective solutions for a wide range of naval applications including:

- Ship, submarine and autonomous underwater vehicle sonars
- Underwater sensing and processing
- Underwater weapons and countermeasures
- Unmanned naval systems
- Mine countermeasures
- Open architectures and future command system architectures
- Underwater signatures, signature management and detection
- Underwater communications and networks.

The company regards integrated logistic support as a key factor in the lifecycle of its customers' programmes and is dedicated to ensuring that it provides top level support to all its systems and products in service. The company has a long track record in providing support to the UK MOD and wider customer base, including: 'help desk' functions, obsolescence management, long-term continuing logistic support, life extension programmes, technology refresh activities, spare and repair provision and in-field engineering back-up.

It is the board's aim to grow the company's market share in the provision of equipment solutions and products for both the UK and international export markets.

Principal risks and uncertainties

The company, like all businesses, faces risks and uncertainties and there are a number of risks that could impact the company's short and long-term performance. The company places great importance on internal control and risk management and has a robust risk management process in place, which is designed to identify, manage and mitigate business risk.

The principal risks and uncertainties that the company is exposed to are described below:

Market competition – The defence market is highly competitive. The company places great importance on the capabilities of its staff and their track record for delivering innovative solutions to complex customer requirements. The company's expertise and capabilities provide a compelling proposition for customers, which is a significant advantage in competitive bidding.

Dependence on government spending levels – A reduction in UK government defence spending could adversely impact the company. In November 2020 the UK government announced an additional £16.5bn increase in defence spending over four years over and above their manifesto commitment of 0.5% above inflation every year. This is alongside the already committed Trident programme which sees the manufacture of four replacement submarines aimed for completion in 2028. The company has made a conscious effort to balance its portfolio of products, considering different geographical markets (UK and export) and different product offerings in the lifecycle from research through to support to ensure that we can maximize the potential from the budgets (all existing capabilities require support). This ultimately leads to lower risk and is more sustainable. Due to COVID-19 there is a risk that spending levels may reduce however the company feels it is well placed to endure this due to its set-up and currently the government has committed more not less spending.

Maintaining key resources – The company values its peoples' skills, knowledge and experience. The company's customers have access to the largest concentration of underwater warfare expertise in the UK with experience across a wide range of technical research and equipment supply projects. Retention of a skilled workforce is essential and the company recognises that the best way to do this is to invest in its people by encouraging training, rewarding high achievements and maintaining close relationships between management and workforce. The company recognises that communication is fundamental in maintaining an exceptional working environment.

Volatility in foreign exchange risks - The company is exposed to volatility in foreign exchange risks, however all non-minor foreign exchange transactions are hedged to reduce the impact.

**ATLAS ELEKTRONIK UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Export controls

Elements of the company's sales are derived from the export of its products. The export of these products may be subject to licensing and export controls. No assurance can be given that these will not become more restrictive or that political factors or changing international circumstances will not result in the company being unable to obtain the necessary export licenses.

The company follows strict guidelines and policies to ensure adherence to these regulations and where appropriate will insure against financial risks associated with non-issuance or revocation of a previously granted export license.

Compliance risk

The company is aware of its responsibilities with regards to professional, regulatory and legal compliance and has put in place appropriate processes and controls to ensure that it operates in a compliant manner including relevant training for employees. Appropriate due diligence is carried out on all potential new customers and suppliers.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of receivables and funding.

Price risk

The company operates in a number of geographical markets and undertakes transactions in numerous foreign currencies for sales and purchases to foreign customers and suppliers. As a result the company is subject to foreign exchange rate risk due to exchange rate movements. The company seeks to reduce this risk by entering into forward contracts.

The company has adopted fair value accounting for these financial instruments and the fair value of the forward contracts at 30 September 2020 was a £17k liability (30 September 2019: £36k liability).

Credit risk

The company has implemented policies that require appropriate credit checks and financial assessments on potential customers and suppliers before contracts are placed. These are monitored on an on-going basis.

Liquidity risk

The company has access to a cash-pooling facility provided by ThyssenKrupp AG that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The group cash-pooling facility provided by ThyssenKrupp AG is subject to a daily interest calculation based on a bank reference rate and hence is subject to fluctuations in interest rates. All financing arrangements and covenants are at a group level and there are no local requirements associated with this facility. Both deficit and surplus cash are subject to interest under the cash-pool therefore the risk is deemed low. The company monitors interest rates closely and would take appropriate risk management action if rates started to rise whilst the facility was in deficit.

**ATLAS ELEKTRONIK UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Key financial and other performance indicators

Performance during the year, together with historical trend data is set out below:

	Year ended 30 September 2020	Year ended 30 September 2019
Adjusted operating profit margin	11%	10%
Employee turnover	8%	10%
Adjusted ROCE	19%	17%

Adjusted operating profit margin

Management consider the adjusted operating profit margin to be a more useful measure of performance than operating profit margin as it excludes one off items in the years such as other income and restructuring costs. Note there are no adjusting items in the years presented in these accounts. The margin has been maintained relevant to the prior year due to successful on-going investment in driving efficiency with the year on year improvement in margin being driven through export sale performance.

Employee turnover

Employee turnover is measured as the number of leavers as a percentage of total staff (permanent employees only). The executive team recognize the importance of each member of staff and their contribution to the long term success of the business hence this KPI is closely monitored. As part of an on-going improvement initiative, communication has been identified as an area to improve with positive changes being implemented from which staff are already benefiting and this has somewhat reflected in the KPI this year. Natural retirements are an on-going occurrence and the company has implemented a succession planning scheme to help mitigate this impact. Given the demographics of our workforce and the underlying continuous strong period of growth, the board are content with the current KPI.

Adjusted Return on Capital Employed (adjusted operating profit as a % return on net assets)

Adjusted return on capital employed excludes other income and restructuring costs (note there are no adjustments in the relevant years in these accounts). ROCE has increased in the year as a result of the board of director's commitment to continually enhance value for shareholders. A focus on the process improvement programme to employ assets more efficiently whilst maintaining underlying profit and growing profitability through export has increased the return on capital employed.

Turnover growth/Order backlog

Turnover growth and order backlog are measures that the company places strong emphasis on. Over the last 5 years, the company has seen continued turnover growth and this is driven by the order intake secured over the last few years and consistent delivery performance. 2020 was a record year for order intake at over £90m. The company has a strong order backlog and will continue to build upon its core strengths to pursue further opportunities. This will facilitate further growth in revenue in 2021 and the board aims to continue to steadily grow turnover throughout the next few years.

**ATLAS ELEKTRONIK UK LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**Promoting the success of the company and section 172(1) statement of the Companies Act 2006
(section 172)**

The directors overarching duty is to promote the success of the company for the benefit of its shareholders, with consideration of stakeholders' interest, as set out in section 172. The board regards a well governed business essential for the successful delivery of its principle activities.

The directors are aware of their duty under section 172 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

a) the likely consequence of any decision in the long term;

Any major decisions require the boards' consensus and agreement before any action is undertaken following the 'four eye' principle for all significant transactions throughout the business

b) the interests of the company's employees;

The board is passionate about communication and consider it key to a positive business environment. Two way communication is encouraged throughout the business so that the directors ensure that the interests of the employees are considered in making business decisions

c) the need to foster the company's business relationships with suppliers, customers and others;

The board recognises that building and maintaining relationships with its stakeholders is key. The company and all employees hold themselves accountable to a compliance policy which ensures business activities and actions are carried out with the utmost integrity amongst all stakeholders

d) the impact of the company's operation on the community and the environment;

The company actively monitors the impact of operations on external factors, an example of this being the ISO accreditations held, ISO 14001 being one of these which demonstrates the company's commitment to improve environmental performance through more efficient use of resources and reduction of waste

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

The compliance policy noted above is instilled throughout the business culture and is reinforced by the local governance to ensure integrity and high standards of conduct are paramount in day to day activities

f) the need to act fairly as between members of the company

The board takes a top down approach to instilling a fairness and equality culture throughout the business and its operations

The company is a UK subsidiary of ThyssenKrupp AG and of ATLAS ELEKTRONIK GmbH. ThyssenKrupp AG are quoted on the Frankfurt Stock Exchange and are an internationally positioned group of largely independent and efficient industrial and technology companies, operating in 60 countries with 104,000 employee.

From the perspective of the board, as a result of the group governance structure, the matters that it is responsible for considering under section 172 have been considered to an appropriate extent by the relevant boards' in relation to both the group and this entity.

On behalf of the board



Neil Skelland
Director

**ATLAS ELEKTRONIK UK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their annual report and the audited financial statements for the year ended 30 September 2020.

Principal activities

The company's principal activities are research and development, design as well as manufacture and support of maritime military systems.

Its unique offering comprises hydro acoustic technology, sonar systems, open architecture processing for ships and submarines, unmanned system technology, non-acoustic signatures, mine warfare technologies and bespoke dynamic cable systems.

In order to deal with the complexities of its addressed markets, the company employs highly skilled engineers, scientists, project managers and business administration personnel.

Post balance sheet events

Following the COVID-19 pandemic in 2020 measures taken by various governments to contain the virus have affected economic activity. We have taken a number of actions to monitor and mitigate the effects of COVID-19, such as health and safety measures for our people (such as social distancing and working from home) and working with our supply chain to ensure minimal impact on our operations.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. As we operate in the defence industry we have not experienced any decrease in demand for our products or services and expect this to continue in the immediate term. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

We also refer to note 32.

Directors and their interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

C Evans
N Guild (Resigned 19th November 2020)
A Mazur
F Keupp
S Meisel
N Skelland
J Weale (Appointed 19th November 2020)

None of the directors had any interests in the share capital of the company during the year.

Any interests of the directors in ThyssenKrupp AG, the company's ultimate controlling party, are disclosed in the company's register of directors' interests.

These financial statements are prepared on a going concern basis which is supported by the overall net asset position of the balance sheet. The company is connected to a cash-pooling facility and has access to funds to enable it to pay its debts as they fall due therefore there are no material uncertainties that would cast significant doubt about the ability of the company to continue as a going concern.

Qualifying third party and pension scheme indemnity provisions

No qualifying third party indemnity provision or qualifying pension scheme indemnity provisions were in force for the benefit of one or more directors at any time during the financial year.

**ATLAS ELEKTRONIK UK LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Employees

The company gives full consideration to applications from disabled persons where the requirement of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

During the year, the policy of providing employees with information about the company has continued through regular staff briefings. These briefings are held between senior management and employees to allow a free flow of information and they also allow for effective communication of financial and economic factors that affect the performance of the company. Consultation with employees or their representatives has also continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests.

Company's policy for payment of creditors

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers provided that all terms and conditions have been complied with.

Environmental matters

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption. The company maintains conformance to the best practice principles ISO 9001:2008 and 14001:2004 certifications.

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors report have been omitted as they are included in the strategic report. These matters relate to principal risks and uncertainties, future developments and financial risk management.

Streamlined Energy and Carbon Reporting ("SECR")

The SECR disclosure presents the company's carbon footprint within the United Kingdom across scope 1, 2 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

Streamlined Energy and Carbon Reporting in the UK for the year ended 30 September 2020	Consumption kWh	Emissions tCO2e
Scope 1 direct emissions from combustion of gas - fuel	420,373	77
Scope 1 direct emissions from combustion of fuel for transport purposes	344,129	85
Scope 2 indirect emissions from purchased electricity	1,734,998	405
Total energy consumption used to calculate emissions / total gross emissions	2,540,747	567
Intensity ratio: tCO2e / sales revenue in £m		6.82

**ATLAS ELEKTRONIK UK LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Methodology

The SECR disclosure has been prepared in line with the financial year ended 30 September 2020 and reporting on all sources of environmental impact in the UK over which the company has financial and/or operational control. The reporting method used is in line with the HM Government Environmental Reporting Guidelines issued in March 2019 and the company has also used the Greenhouse Gas Reporting Protocol - Corporate Standard. The emissions factor source is the 2020 UK Government's Conversion Factors for Company Reporting.

Energy efficiency action plan

The principal measures taken for the purpose of increasing the company's energy efficiency in the year ended 30th September 2020 included:

- Installation of an additional 4 twin EV Charging points serving a further 8 parking spaces;
- Replacement of 20+ year old oversized boilers for more efficient condensing gas boilers;
- Engagement with A/C service providers to ascertain control parameters and to implement potential energy saving initiatives around the Daiken I manager centralised control system.

It is noted that progress on the energy efficiency action plan has been slower than originally envisaged during the financial year due to the business concentrating on the impacts of COVID-19

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**ATLAS ELEKTRONIK UK LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 18/08/2021 and signed on its behalf by:



Neil Skelland
Director

ATLAS ELEKTRONIK UK LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMEBERS OF ATLAS ELEKTRONIK UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Atlas Elektronik UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the balance sheet as at 30 September 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent

ATLAS ELEKTRONIK UK LIMITED
INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ATLAS ELEKTRONIK UK LIMITED
(CONTINUED)

material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**ATLAS ELEKTRONIK UK LIMITED
INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ATLAS ELEKTRONIK UK LIMITED
(CONTINUED)**

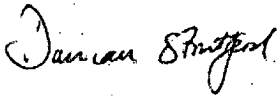
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
18 August 2021

ATLAS ELEKTRONIK UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Turnover	4	83,183	71,246
Cost of sales		(64,209)	(54,445)
Gross profit		18,974	16,801
Administrative expenses		(9,717)	(9,609)
Operating profit	5	9,257	7,192
Interest receivable and similar income	9	1	16
Interest payable and similar expenses	9	(246)	(39)
Profit on ordinary activities before taxation		9,012	7,169
Tax on profit	10	(2,058)	(1,399)
Profit for the financial year		6,954	5,770
Total comprehensive income for the financial year		6,954	5,770

The notes on pages 18 to 42 form part of these financial statements.

ATLAS ELEKTRONIK UK LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2020
REGISTERED NUMBER: 05582639

	Note	2020 £000	2019 £000
Non-current assets			
Fixed assets			
Goodwill	11	21,469	21,469
Other intangible assets	12	5,418	4,719
Tangible assets	13	12,834	11,911
Right-of-use assets	14	613	-
		<u>40,334</u>	<u>38,099</u>
Current assets			
Stocks	15	387	1,093
Debtors amounts falling due within one year	16	11,808	18,948
Debtors amounts falling due after one year	17	146	165
Contract assets	20	54,010	23,148
Cash at bank and in hand	18	77	356
		<u>66,428</u>	<u>43,710</u>
Creditors amounts falling due within one year	19	(28,251)	(20,503)
Contract liabilities	20	(19,542)	(13,170)
Lease liabilities falling due within one year	22	(204)	-
		<u>(47,997)</u>	<u>(33,673)</u>
Net current assets		<u>18,431</u>	<u>10,037</u>
Total assets less current liabilities		<u>58,765</u>	<u>48,136</u>
Lease liabilities falling due after one year	22	(440)	-
Deferred tax	23	(1,679)	(1,169)
Other provisions	24	(7,533)	(4,808)
		<u>(9,652)</u>	<u>(5,977)</u>
Net assets		<u>49,113</u>	<u>42,159</u>
Capital and reserves			
Called up share capital	25	23,500	23,500
Profit and loss account	26	25,613	18,659
Total shareholders' funds		<u>49,113</u>	<u>42,159</u>

The financial statements on pages 18 to 42 were approved and authorised for issue by the board and were signed on its behalf on 18 August 2021 by:



C Evans
Director

The notes on pages 18 to 42 form part of these financial statements.

ATLAS ELEKTRONIK UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital £000	Profit and loss account £000	Total Shareholders' Funds £000
1 October 2019	23,500	18,659	42,159
Comprehensive income for the financial year			
Profit for the financial year	-	6,954	6,954
Total comprehensive income for the financial year	<u>-</u>	<u>6,954</u>	<u>6,954</u>
At 30 September 2020	<u>23,500</u>	<u>25,613</u>	<u>49,113</u>

	Called up share capital £000	Profit and loss account £000	Total Shareholders' Funds £000
1 October 2018	23,500	12,889	36,389
Comprehensive income for the financial year			
Profit for the financial year	-	5,770	5,770
Total comprehensive income for the financial year	<u>-</u>	<u>5,770</u>	<u>5,770</u>
At 30 September 2019	<u>23,500</u>	<u>18,659</u>	<u>42,159</u>

The notes on pages 18 to 42 form part of these financial statements.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

ATLAS ELEKTRONIK UK Limited ("the company") is a private company limited by shares and is incorporated in the United Kingdom and is domiciled in England. The address of the company's registered office is Dorset Innovation Park, Winfrith Newburgh, Dorchester, DT2 8ZB.

The company's principal activities are research and development, design as well as manufacture and support of maritime military systems.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain assets and liabilities that are measured at fair value, and in accordance with the Companies Act 2006 and as applicable to companies under the Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3). The values included in the financial statements are presented in pounds sterling, and have been rounded to the nearest thousand (£000).

The company has applied IFRS 16 'Leases' for the first time for the reporting period commencing 1 October 2019. This became mandatory in the reporting period and the company has implemented this using the simplified retrospective method.

The following principal accounting policies have been applied consistently throughout the year:

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.3 REVENUE

Revenue is recognised in relation to the sale of goods and services and from long term contracts. Revenue is recognised in relation to satisfaction of performance obligations when control is transferred to the customer of the product or service which may be "over time" or at a "point in time". Revenue is measured as the fair value (both cash and non-cash) of the consideration received or receivable, excluding discounts, rebates, significant financing elements, value added tax and other sales taxes.

Revenue also takes account of any variable consideration (amounts payable dependent on performance) with the company evaluating at each balance sheet date whether the cumulative amount of revenue recognised should be constrained in relation to achievement of variable performance conditions.

The company follows the "five step" process under IFRS 15 to ensure that revenue is recognised at the appropriate point. These steps are:

1. Identify the contract(s) with the customer,
2. Identify the performance obligations,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations,
5. Recognise revenue as performance obligations are satisfied.

The following criteria must be met for revenue to be recognised either at a point in time or over time:

Recognition of revenue over time

Where one of the following conditions is satisfied, the stage of completion of the contract can be measured reliably and the costs to complete the contract can be measured reliably, the company will recognise revenue over time as performance obligations are satisfied:

- the customer controls the asset as it is created or enhanced or;
- the customer receives and consumes the benefit of the item or service as the company performs the contract or;
- the company's performance does not create an asset with an alternative use to the company and it has an enforceable right for payment for work/performance completed to date

Recognition of revenue at a point in time

Revenue is recognised at a point in time when all of the following conditions are satisfied:

- the conditions for recognizing revenue over time are not met;
- the amount of revenue can be measured reliably and it is probable that the economic benefits will flow to the entity;
- Control of the asset has transferred to the customer or the customer has consumed the benefit of the item or service (this may be on delivery, when legal title passes, when the customer has the significant risks and rewards of ownership or when specific customer acceptance criteria has been met)

When identifying performance obligations, the company will assess whether the promised goods or services are distinct or part of a series of distinct goods and services. Goods or services are distinct if the customer can benefit from them on their own or together with other resources readily available to them and they must be separately identifiable in the contract. Where goods are distinct they are capable of being a separate performance obligation for revenue recognition purposes.

Revenue and profit is accounted for on an individual contract basis, depending on the nature and conditions of the contract. Estimating the profitability of a long-term contract is reliant upon the knowledge and experience of project managers with input from technical experts and finance personnel. This includes the assessment of the required costs to complete the contract, the available labour resources and other factors including any associated risks and past experience. All contracts

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

REVENUE (CONTINUED)

are independently reviewed by experienced project accountants on a monthly basis to ensure that the estimates remain appropriate and to ensure that any revenue and profit recognised is a true and fair reflection of the status of the contract and the value of work performed to date.

2.4 LONG TERM CONTRACTS – CONTRACT ASSETS & LIABILITIES

Contract assets consists of:

-Costs incurred in progress towards achieving a performance obligation where revenue is recognised at a "point in time" – work in progress. These costs are transferred to the income statement as the performance obligation is satisfied.

-Accrued income/revenue recognised in advance of customer billing – where invoicing is beyond the point where control of goods or services is transferred to the customer and revenue has been recognised, a contract asset is recognised. This can occur where the contractual milestones are not aligned to the transfer of control and often occurs where revenue is recognised "over time"

Contract liabilities consists of:

-Contract advance payments/deferred income – where invoicing is in advance of recognition of revenue and contract liability will arise

-Outstanding contract costs – where performance obligations are satisfied in advance of anticipated costs landing a contract liability arises for the expected cost.

Advance payments received from customers are shown as contract liabilities until there is a right of set-off against the value of work undertaken.

Specific contract provisions for warranty and contract losses are detailed in note 24.

2.5 INTANGIBLE ASSETS

Goodwill is the difference between the fair value of the consideration for the trade and assets and the aggregate of the fair value of that entity's identifiable assets and liabilities. The goodwill is not amortised and each element is reviewed annually for impairment.

Intangible assets relate to software licenses and development costs and are stated at cost, net of accumulated amortisation and any provision for impairment. The intangible assets are amortised over a period of 3 to 5 years and the amortisation is charged to administrative expenses in the Statement of Comprehensive Income. Intangible assets under construction are not amortised

2.6 TANGIBLE ASSETS

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is de-recognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

TANGIBLE ASSETS (CONTINUED)

Depreciation is provided on the following basis:

Land	- not depreciated
Buildings and improvements	- 10 to 30 years
Plant and machinery	- 5 to 15 years
Fixtures, fittings and equipment	- 3 to 15 years
Asset under construction	- not depreciated

Tangible assets under the course of construction are stated at cost less any provision of impairment. Once completed they are reclassified and depreciated in line with the above expected useful lives.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income

2.7 LEASES

The company has a number of leasing arrangements for property, vehicles and equipment. Prior to the adoption of IFRS 16 Leases, which became mandatory in the accounting period commencing 1 October 2019, each lease was qualified as either a finance lease or an operating lease and accounted for accordingly.

Following the adoption of IFRS 16 from 1 October 2019, leases are accounted for in accordance with the requirements of IFRS 16 Leases, the company recognises in the balance sheet both a right of use asset and a corresponding lease liability to the lessor where there is a contract in place with another party that meets the qualifying criteria set out in IFRS 16.

The lease liability represents the company's obligation to make future lease payments to the lessor, including any operational increases or reductions in the lease period, less any lease incentives receivable. The associated rate of interest which is incurred for the lease liabilities is determined based on the inherent rate of interest in the lease, or if it cannot be determined, at a lease specific incremental borrowing rate. This interest is charged to the statement of comprehensive income, and the lease payments made by the company to the lessor, after adding the interest to the lease liability, is used to amortise the carrying value of the lease liability in the balance sheet.

Leases of low value assets or short term leases are immediately expensed in the statement of comprehensive income.

2.8 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.9 DEBTORS

Debtors are stated at amortised cost less an appropriate provision (2020: £50k, 2019: £69k) for expected credit losses in accordance with the simplified approach permitted under IFRS 9. The company measures the provision at an amount equal to the lifetime expected credit losses, estimated by reference to past experience and relevant forward looking factors.

2.10 CASH AND EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 FINANCIAL INSTRUMENTS

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Trade receivables

Trade receivables are stated at amortised cost less an appropriate provision for expected credit losses in accordance with the simplified approach permitted under IFRS 9. The company measures the provision at an amount equal to the lifetime expected credit losses, estimated by reference to past experience and relevant forward looking factors.

The company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, for example, when the customer enters in to bankruptcy.

Financial liabilities

The company classifies all of its financial liabilities, other than derivatives, as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

Derivatives

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not currently apply hedge accounting for foreign exchange derivatives.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.12 CREDITORS

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid no later than 60 days after recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.13 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.14 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The company operates two defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.16 INTEREST INCOME

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.17 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

A number of the accounting policies applied when preparing these financial statements involve the use of significant management judgement and estimation techniques which could affect the valuation of revenues, expenses, assets and liabilities recognised.

Revenue and profit recognition

Revenue and profit is accounted for on an individual contract basis when performance obligations have been satisfied either over time or at a point in time, depending on the nature and conditions of the contract. Estimating the profitability of a long-term contract is reliant upon the knowledge and experience of project managers with input from technical experts and finance personnel. This includes the assessment of the required costs to complete the contract, the available labour resources and other factors including any associated risks and past experience. All contracts are independently reviewed by experienced project accountants on a monthly basis to ensure that the estimates remain appropriate and to ensure that any revenue and profit recognised is a true and fair reflection of the status of the contract and the value of work performed to date.

Transaction prices are allocated across performance obligations on a contract by contract basis with reference to the associated estimated costs of performance of those obligations out of the total costs of the contract. This is reliant upon the knowledge and experience of our project managers, alongside the input from relevant technical experts and finance personnel and is reviewed by our experienced project accountants. The allocation of costs between activities is scrutinized to ensure that prices are appropriately allocated and is reviewed throughout the life of the contract for reasonableness.

Transaction prices which include variable consideration such as rebates, incentives and liquidated damages are included based on the expected value with the intention of insuring that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. These judgements are regularly reviewed and updated and are reassessed at each balance sheet date.

Consideration of returns or refunds is made as part of the determination of the transaction price and reassessed throughout the life of the contract. Provisions for warranty returns are costed as part of the cost of the contract and once the obligation is in place, the provision covering the expected cost of the obligation is created. In most circumstances, the warranty forms part of the deliverable contract and is not a separate performance obligation.

In most cases the company attempts to align its contractual payment milestones to its cost profiles however this is not always possible and in these circumstances, revenue may be recognised either in advance of, or following an invoicing event. This gives rise to contract assets and liabilities. The company has a number of contracts and depending on whether revenue is recognised "over time" or at a "point in time" can determine the extent and types of contract assets and liabilities as detailed in 2.4. Judgements exist in relation to the transfer of control which may affect the revenue recognised. The company follows strictly the guidance in IFRS 15 and takes a prudent view in only recognising revenue where it is confident that economic benefit will flow to the company.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Goodwill

There is £21,469k of goodwill included in the financial statement as at the year end. Goodwill is not amortised but each element is reviewed annually for impairment in accordance with the accounting policy stated in note 2.5. The assessment for impairment requires the use of estimates relating to the future profitability of the business through consideration of the 5 year operational planning (OPL).

Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Warranty provisions

There are warranties of £3,232k (2019: £1,963k) included in the financial statements as at the year end. Warranties are provided for on an individual contract basis dependent on the warranty terms of that contract. The estimated warranty costs are based on historical product performance, input from technical experts and the length of the warranty period. Warranty provisions are reviewed on a monthly basis taking in to account latest actual warranty expenses and are adjusted accordingly to ensure the on-going appropriateness of the provision held.

Bad debt provisions

Where in management's judgement there is sufficient doubt over the recoverability of all or part of a debt held on the balance sheet, a provision will be established against that debt relative to the estimated probability of recoverability. There is a specific bad debt provision of £351k (2019: £nil) included in the financial statements as at the year end.

Loss provisions

Where the outcome on any contract is determined to be a loss, the loss will be recognised in full immediately in the period in which it is identified. As at the year end contract losses of £4,301k (2019: £2,845k) had been provided for.

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

4. TURNOVER

Turnover is attributable to design as well as manufacture and support of maritime military systems as well as funded research and development.

An analysis of turnover by class of business is as follows:

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Sale of goods	70,894	61,992
Services	12,289	9,254
	<u>83,183</u>	<u>71,246</u>

Analysis of turnover by country of destination:

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
United Kingdom	52,370	41,068
Rest of Europe	2,539	1,837
Rest of the World	28,274	28,341
	<u>83,183</u>	<u>71,246</u>

5. OPERATING PROFIT

The operating profit is stated after charging/ (crediting):

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Research & development charged as an expense	1,287	1,385
Depreciation of tangible assets	1,223	1,229
Amortisation of intangible assets	734	534
Depreciation of right of use assets	210	-
Cost of stock recognized as an expense including amounts written down	30,591	24,830
Operating lease charges	76	248
Exchange differences	25	1
Movement of derivatives fair value	(19)	5

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

6. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Fees for the audit of the company	45	41
	<u>45</u>	<u>41</u>

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Wages and salaries	20,950	18,312
Social security costs	2,196	1,929
Other pension costs	3,755	3,642
	<u>26,901</u>	<u>23,883</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 30 September 2020 Number	Year ended 30 September 2019 Number
Administration, operations and management	108	100
Engineering	182	162
Manufacturing	59	52
Project management	66	58
Sales, commercial and marketing	26	25
	<u>441</u>	<u>397</u>

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020.

8. DIRECTORS' REMUNERATION

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Aggregate directors' emoluments	940	981
Company contributions to defined contribution pension schemes	44	131
	984	1,112

The above directors' remuneration does not include emoluments of F Keupp nor S Meisel as these are paid by the parent company. It is not possible to make an accurate apportionment of their emoluments in respect of the company.

During the year retirement benefits were accruing to 2 directors (2019:3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £471k (2019: £475k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2019: £51k).

9. NET INTEREST RECEIVABLE / (PAYABLE) AND SIMILAR INCOME / (EXPENSES)

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Interest receivable from group companies	1	12
Interest payable to group companies	(226)	(39)
Other interest receivable	-	4
Interest payable on lease liabilities	(20)	-
	(245)	(23)

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. TAX ON PROFIT

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Corporation tax		
Current tax on profits for the year	1,613	1,154
Adjustments in respect of prior years	(65)	111
Total current tax	<u>1,548</u>	<u>1,265</u>
Deferred tax		
Origination and reversal of timing differences	371	134
Adjustment in respect of prior years	139	-
Total deferred tax	<u>510</u>	<u>134</u>
Tax on profit	<u><u>2,058</u></u>	<u><u>1,399</u></u>

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting tax charge for the period

The total tax charge assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Profit before taxation	9,012	7,169
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,712	1,362
Effects of:		
Capital allowances adjustments	61	88
Expenses not deductible for tax purposes	1	2
Adjustments in respect of prior years	(65)	111
Income not taxable for tax purposes	(40)	(54)
Temporary differences	169	(91)
R&D expenditure credits	82	(3)
Impact of change in tax rate	138	(16)
Total tax charge for the year	2,058	1,399

ATLAS ELEKTRONIK UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

11. GOODWILL

	Newport £000	Winfrith £000	Total £000
Cost and net book value			
At 30 September 2020	650	20,819	21,469
At 30 September 2019	650	20,819	21,469

Goodwill purchased on acquisition relates to the acquisition of the trade and net assets of the Winfrith and Newport divisions on 1 October 2009 and 1 July 2006 respectively. These balances are not amortised but are reviewed annually for impairment. Projected cash flows for a five year period are used to determine the value in use. The assumptions are based on past experience and expected future development.

12. OTHER INTANGIBLE ASSETS

	Assets Under Construction £000	Software Licences £000	Total £000
Cost			
At 1 October 2019	1,966	3,833	5,799
Additions	875	558	1,433
At 30 September 2020	2,841	4,391	7,232
Accumulated amortisation			
At 1 October 2019	-	1,080	1,080
Charge for the year	-	734	734
At 30 September 2020	-	1,814	1,814
Net book value			
At 30 September 2020	2,841	2,577	5,418
At 30 September 2019	1,966	2,753	4,719

The company does not have any capital expenditure contracted for but not provided for within the financial statements.

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13. TANGIBLE ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture, fixtures and equipment £000	Under construction £000	Total £000
Cost					
At 1 October 2019	9,612	1,721	4,770	1,967	18,070
Additions	241	248	489	1,168	2,146
Disposals	-	(10)	-	-	(10)
At 30 September 2020	9,853	1,959	5,259	3,135	20,206
Accumulated depreciation					
At 1 October 2019	2,190	850	3,119	-	6,159
Charge for the year	407	342	474	-	1,223
Eliminated on disposal	-	(10)	-	-	(10)
At 30 September 2020	2,597	1,182	3,593	-	7,372
Net book value					
At 30 September 2020	7,256	777	1,666	3,135	12,834
At 30 September 2019	7,422	871	1,651	1,967	11,911

The company had £900k of capital expenditure contracted for but not provided for within the financial statements at 30 September 2020 (2019: £Nil). This was entirely in relation to the extension of its Horizon production facility. Included in land and buildings is non-depreciable freehold land of £587k.

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14. RIGHT-OF-USE ASSETS

	Land and buildings £000	Other equipment £000	Total £000
Cost			
At 30 September 2019	-	-	-
Implementation of IFRS 16	482	114	596
Adjusted at 1 October 2019	482	114	596
Additions	146	81	227
At 30 September 2020	628	195	823
Accumulated depreciation			
At 30 September 2019	-	-	-
Implementation of IFRS 16	-	-	-
Adjusted at 1 October 2019	-	-	-
Charge for the year	130	80	210
At 30 September 2020	130	80	210
Net book value			
At 30 September 2020	498	115	613
Adjusted at 1 October 2019	482	114	596
At 30 September 2019	-	-	-

The company does not have any capital expenditure contracted for but not provided within the financial statements.

15. STOCKS

	2020 £000	2019 £000
Stocks	387	1,093

The stocks held represent available stocks of items which are not contracted but which the company has either purchased or manufactured in advance of anticipated customer orders.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

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16. DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£000	£000
Trade debtors	7,308	15,205
Amounts owed by group undertakings	1,046	353
Other debtors	2,133	2,713
Prepayments and accrued income	1,282	648
Loan to key management	19	19
Derivative contracts (note 21)	20	10
	<u>11,808</u>	<u>18,948</u>

The amounts owed by group undertakings relate to intercompany trading balances and monies held in a cash pooling bank account. Trade balances are paid on 30 day payment terms and the cash pooling account is repayable upon demand. No security is provided against these balances.

17. DEBTORS AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£000	£000
Loan to key management	146	165
	<u>146</u>	<u>165</u>

Repayable over a ten year period in equal monthly installments.

18. CASH AT BANK AND IN HAND

	2020	2019
	£000	£000
Cash at bank and in hand	77	356
	<u>77</u>	<u>356</u>

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19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£000	£000
Trade creditors	3,880	1,748
Amounts owed to group undertakings	17,404	13,800
Other taxation and social security	1,324	1,397
Accruals	5,606	3,512
Derivative contracts (note 21)	37	46
	<u>28,251</u>	<u>20,503</u>

The amounts owed to group undertakings is made up of intercompany trading balances, corporation tax and a working capital facility provided by ThyssenKrupp AG. No interest is charged and no security is provided with regards to the trading balances or corporation tax. The working capital facility is repayable upon demand and is subject to interest calculated using a bank reference. There are no associated covenants with this facility that the company are subject to.

20. CONTRACT ASSETS AND LIABILITIES

	30 September	30 September
	2020	2019
	£000	£000
Assets recognised for costs incurred to fulfil contracts	54,010	23,148
Total contract assets	<u>54,010</u>	<u>23,148</u>
Liabilities recognised for committed costs to fulfil contracts	(19,542)	(13,170)
Total contract liabilities	<u>(19,542)</u>	<u>(13,170)</u>

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21. FINANCIAL INSTRUMENTS

Financial assets	2020	2019
	£000	£000
Financial assets measured at fair value through profit or loss	20	10
Financial assets that are debt instruments measured at amortised cost	10,564	18,627
	<u>10,584</u>	<u>18,637</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	(28,214)	(27,150)
Financial liabilities measured at fair value through profit or loss	(37)	(46)
	<u>(28,251)</u>	<u>(27,196)</u>

Financial assets and liabilities measured at fair value through profit or loss comprise foreign exchange derivatives.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 30 September 2020, the outstanding contracts all mature within 37 months (2019: 37 months) of the period end.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for the currencies involved in the hedge. The gains and losses in the fair value adjustment attributable to the exchange risk are recognised in the income statement in line with IFRS 9.

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22. LEASE LIABILITIES

At the year end the Company had the following liability for future lease payments. These are presented as the aggregate gross amount of payments committed under each lease with an allowance calculated to exclude future interest at the applicable rate for each lease.

	Gross payments £000	Interest not yet incurred £000	Net obligation £000
Lease payments due in less than 12 month	220	(16)	204
Lease payments due between 12 months and 5 years	310	(40)	270
Lease payments due after 5 years	198	(28)	170
Total lease payments due	728	(84)	644
Amounts shown in current liabilities			204
Amount shown in non-current liabilities			440
Total lease payments due			644

The total cash outflow during the year in relation to the above leases was £218k

The total cash outflow in the year in relation to short term and low value leases was £76k

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23. DEFERRED TAX

	2020	2019
	£000	£000
Opening Provision	(1,169)	(1,035)
Charged to profit and loss	(510)	(134)
Closing Provision	(1,679)	(1,169)

Deferred tax balances have not been discounted.

The provision for deferred taxation is made up as follows:

	2020	2019
	£000	£000
Accelerated capital allowances	(1,679)	(1,169)

24. OTHER PROVISIONS

	Contract Losses	Warranties	Total
	£000	£000	£000
At 1 October 2019	(2,845)	(1,963)	(4,808)
Utilised	3,345	83	3,428
Charged to profit and loss	(4,802)	(1,546)	(6,348)
Released to profit and loss	1	194	195
As at 30 September 2020	(4,301)	(3,232)	(7,533)

The provision for contract losses is in relation to customer contracts where it is expected that the total costs to be incurred to complete the required works will be in excess of the contracted revenues on completion.

The warranty provisions are in relation to anticipated costs to be incurred by the company in order to fulfil contractual obligations with regards to rectification and support of deliverables which have already been made to customers.

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25. CALLED UP SHARE CAPITAL

	2020	2019
	£000	£000
Allotted, called up and fully paid		
23,500,001 (2019: 23,500,001) Ordinary shares of £1 (2019: £1) each	23,500	23,500

26. RESERVES

Reserves to Profit and Loss Account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

27. CONTINGENT LIABILITIES

The company has one Bank Guarantee which it has entered into in the normal course of its business. The guarantee for £300k is a liability for import VAT to HM Revenue and Customs whereby the company must provide a bank payment guarantee for the amount of £300k. The guarantee has been issued by HSBC Bank Plc. In this respect the company treats the guarantee contract as a contingent liability.

Performance bonds relating to production and financing have been entered into in the normal course of business.

28. PENSION COMMITMENTS

The company operates two defined contribution pension schemes, The EADS DS UK Pension Plan and The ATLAS ELEKTRONIK UK Pension scheme, for its directors and employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund and amounted to £3,755k (2019: £3,642k).

29. RELATED PARTY TRANSACTIONS

Loan to key management:	2020	2019
	£000	£000
1 October	183	-
Loan advanced	-	188
Loan repaid	(19)	(5)
30 September	164	183

This is a loan made to key management in an arm's length transaction. It is repayable over a ten year period. This is an unsecured loan on which no interest is charged.

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30. CHANGES IN ACCOUNTING POLICIES – TRANSITION TO IFRS 16

The company has adopted IFRS 16 'Leases' (which replaces IAS 17 'Leases' from 1st October 2019).

The adoption of IFRS 16 'Leases' from 1st October 2019 resulted in changes in accounting policies and adjustments recognised in the financial statements. The new accounting policies are set out in note 2. In accordance with the transitional provisions in IFRS 16, comparative figures have not been restated.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on the 1st of October 2019 was between 1.37% and 4.07% depending on the lease term.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1st October 2019 as short-term leases;
- using experience in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and Interpretation 4 'Determining whether an Arrangement contains a Lease'

(ii) Measurement of lease liabilities

	2019 £'000
Operating lease commitments disclosed as at 30 September 2019	813
Discounted using the lessee's incremental borrowing rate at date of initial application	(144)
Lee: short-term leases not recognised as a liability	(73)
Lease liability recognised as a liability	596

(iii) Adjustments recognized in the balance sheet on 1 October 2019

The change in accounting policy affected the following items in the balance sheet on 1st October 2019:

- Right of use assets – Increased by £596,000
- Lease liabilities – Increased by £596,000

There was no impact on retained earnings on 1 October 2019

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31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent is ATLAS ELEKTRONIK UK (Holdings) Limited, registered in England, the financial statements of which can be obtained from Dorset Innovation Park, Winfrith Newburgh, Dorchester, DT2 8ZB.

In the directors' opinion, at the Balance Sheet date, the company's ultimate parent undertaking and controlling party is ThyssenKrupp AG (100% shareholding), which was incorporated in Germany. Copies of the consolidated financial statements are available from ThyssenKrupp, Allee 1, Postfach 45063, 45143 Essen, Germany.

32. POST BALANCE SHEET EVENTS

Following the COVID-19 pandemic in 2020 measures taken by various governments to contain the virus have affected economic activity. We have taken a number of actions to monitor and mitigate the effects of COVID-19, such as health and safety measures for our people (such as social distancing and working from home) and working with our supply chain to ensure minimal impact on our operations.

Having weathered over a year, the impact on our business and results has been insignificant and based on our experience to date we expect this to remain the case. As we operate in the defence industry we have not experienced any decrease in demand for our products or services and expect this to continue in the immediate term. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.